

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TWO)

Docket No. RM2021-4

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(April 16, 2021)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 1, issued April 7, 2021. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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April 16, 2021

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1. This question refers to the supporting data on the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tab "data."
 - a. Please confirm that the tally counts in this tab are for direct tallies only. If not confirmed, please explain fully.
 - b. Please confirm that the dollar weights in this tab are just for direct tallies. If not confirmed, please explain fully.
 - c. Please provide unpiggybacked total First-Class Mail Presorted Letters mail processing costs by cost pool and the percentage of costs in each First-Class Mail Presorted Letters cost pool that is comprised of the direct tally dollar weights in this tab.
 - d. Please confirm that of the 1,242 direct tallies in cost pools categorized as Unrelated on this tab, only 155 of the tallies (12.5 percent) are matched to a rate category. If not confirmed, please provide the correct percentage and explain fully.
 - e. For each cost pool categorized in this tab as Unrelated, please describe fully how costs for mixed-mail and not-handling tallies are distributed to products.
 - i. Individually for each cost pool categorized in this tab as Unrelated, please identify which cost pools are used in the distribution key to distribute mixed-mail and not-handling costs to products.
 - ii. Please also explain whether any tallies from cost pools classified as modeled/proportional are used in the distribution key for mixed-mail or not-handling costs individually for each of the cost pools categorized as Unrelated.
 - f. Please provide a spreadsheet containing all In-Office Cost System (IOCS) data (*i.e.*, data for all IOCS data fields) for each tally underlying the data in this tab. In this spreadsheet, please also provide for each tally the "Pool Code," "Pool," "IMB Rate," "Pool Category," and "Dir Wgt" from Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tab "data."
 - g. Please provide the most recent IOCS handbook, guides, and documentation.
 - h. Please confirm that Intelligent Mail barcodes (IMbs) are only recorded for direct tallies. If not confirmed, please explain fully.
 - i. Please explain fully, with references to the appropriate IOCS

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documentation, how the data collector determines which mailpiece and IMb to record for a direct tally.

- j. Please explain all circumstances that would result in a tally with a recorded IMb being categorized as "No IMb/No match."
- k. Please provide a revised version of tab "data" that separates (1) the "No IMb/No match" IMB Rate category into a "No IMb" category and a "No match" category; and (2) the "Other" IMB Rate category into its component parts.
- l. Please provide a comprehensive description of all activities performed by Postal Service employees in each of the cost pools shown in this tab.
- m. Please provide all data sets, programs, and associated documentation necessary to replicate the analysis in the tab "data."

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Please see the workbook CHIR1.Q1c.xlsx, included as part of the zip file attached to these responses.
- d. Confirmed. Note that most of the tallies in question without a rate category match were recorded in non-MODS cost pools (i.e., operations at post offices, stations, and branches). For the non-MODS office group, telephone readings are the primary data collection method and thus relatively few barcode scans are obtained for matching with rate category information. Please note that the file provided in response to part (k), below, breaks out the data by reading method.

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- e. General procedures for distributing mixed-mail and not-handling costs are described in Docket No. ACR2020, folder USPS-FY20-7 and in the Cost Segment 3 Summary Description, file CS03-19.docx (July 1, 2020).
 - i. The mixed-mail distribution keys for the MODS cost pools 1PLATFRM, 1MTRPREP, 1CANCEL, and 1SCAN use direct tallies from all MODS cost pools (by shape as applicable). The mixed-mail distribution keys for the NDC PLA and OTH cost pools use direct tallies from all NDC cost pools (by shape as applicable). The mixed-mail distribution keys for the non-MODS N_Allied and N_Misc cost pools use direct tallies from all non-MODS cost pools (by shape as applicable). Mixed-mail distribution keys for other Unrelated pools generally are based on direct tallies for the same item or container types within the same cost pool. Not-handling costs generally are distributed in proportion to handling-mail tallies within the same cost pool. The exception is the MODS 1MISC cost pool, which is distributed in proportion to handling-mail tallies in other MODS cost pools excluding the REGISTRY and BUSREPLY pools.
 - ii. The cross-pool distribution keys described in sub-part (i), above, generally include tallies from cost pools in the Modeled/Proportional, Correlated, and Unrelated groups.

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- f. Please see the Excel workbook CHIR1.Q1f.xlsx, included as part of the zip file attached to these responses.
- g. The requested material is provided in a subfolder included in the zip file attached to these responses. A data dictionary describing the IOCS data fields was previously provided in USPS-FY20-37, IOCSNon-clusterDataDictionaryFY20.xlsx.
- h. Not confirmed. There are several circumstances where a tally with a scanned IMb may not be a direct tally. In some cases, a mailpiece was obtained, but due to conflicting markings on the piece, the activity code may be converted to a more generic mixed mail activity code. Such edits, for example, are conducted in programs ALB060 and ALB078, provided in USPS-FY20-37. Information obtained from barcode scans may also be used to edit a tally to a mixed mail activity code if it conflicts too severely with the markings recorded by the data collector. Scans may be obtained when an employee is handling containers, such as sacks, APCs, hampers, pallets, etc., which may be non-countable and result in a mixed mail activity code. Scans may also be obtained when the employee is not handling mail because in some, but not all, circumstances IOCS uses mailpieces from the source of supply of mail to equipment used by the employee. Data collectors may scan such mailpieces even when they may not be used. The mere presence of the scan data alone does not convert a reading into

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a direct tally. In general, data collectors are encouraged to scan mailpiece and mail container barcodes to provide supplementary information that relate to the employee's activities. However, note that all of the tallies used in "FY2020 IOCS MP FCM Presort by Rate.xlsx" are direct tallies for presorted First-Class Mail letters as coded in the FY2020 IOCS dataset.

- i. Isolation and selection rules for which mailpiece to record can be found in Handbook F-45, section 7-2.2, Isolate the Appropriate Mail or Container, p.53, and section 7-2.3, Selecting the Appropriate Mail or Container, p.54. Additional detail is provided in the IOCS Reference Guide, section 10, Isolating from a Combination of Loose Mail and/or Containers, pages 42-43.

Data collectors are instructed to scan all barcodes from mailpieces and mail transportation equipment; please see Handbook F-45, section 8-10, Barcode Information, p. 64. Additional detail is provided in the IOCS Reference Guide, section 11, Barcode Scanning Instructions, pages 44-49, and in the Scanning Help section file IOCSHelp_Jul2020, pages 27-33.

- j. Most such tallies are cases in which the IOCS data collector was unable to obtain a scan of the IMb. In some cases, it is not possible to match the IMb to a mailing record in the Informed Visibility system that identifies the specific rate paid, or the returned rate code does not identify a specific presorted First-Class Mail rate. There may be no match for a scanned IMb when the IMb is not full service, or if

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the mailer did not provide accurate documentation to the Postal Service, or if the mailers implementation of barcode printing does not match Postal Service instructions. Also, barcodes are only available within the Informed Visibility database for a limited time, so the requisite data may have been purged before the matching process was conducted.

- k. Please see the Excel workbook CHIR1.Q1k.xlsx, included in the zip file attached to these responses.
- l. The activities associated with each cost pool are described in the Cost Segment 3 Summary Description, file CS03-19.docx (filed July 1, 2020). Additionally, specific MODS operation codes associated with each MODS and NDC cost pool are listed in Docket No. ACR2020, USPS-FY20-7, file USPS-FY20-7 part1.xlsx; MODS operation descriptions are provided in USPS-FY20-7, file USPS-FY20-7/Appendix_A_OperDefin_AUG_2020.docx.
- m. The IOCS tally data were provided in Docket No. ACR2020, USPS-FY20-37, file PRCPub20FlatNC.dat. Included in a separate subfolder in the zip file attached to these responses are the Stata program and other input files used to merge the Informed Visibility rate match data with the tallies, to generate the Excel file provided in response to part (f), above, and to replicate the contents of the 'data' tab.

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2. This question refers to the supporting data in the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tabs "data" and "Tables 1-2":
- a. Please confirm that the figures in Tables 1 and 2 exclude data for Non-Management Operating Data System (MODS) cost pools. If not confirmed, please explain fully.
 - b. Please confirm that of the 1,242 direct tallies shown in tab "data" in cost pools categorized as Unrelated, dollar weights for only 101 tallies (8.1 percent) were used in creating Table 2. If not confirmed, please provide the correct numbers and explain fully.
 - c. Please confirm that 91.9 percent of the direct tallies in cost pools categorized as Unrelated were excluded from the data used to create Table 2 because they either were (1) in Non-MODS cost pools, or (2) could not be matched to a rate category. If not confirmed, please provide the correct figure and explain fully.

RESPONSE:

- a. Confirmed. As noted in the response to question 1(d) of this ChIR, the preponderance of telephone readings in non-MODS offices results in relatively few tallies with matched rate category data. The Postal Service thus excluded the non-MODS pools from the analysis.
- b. Confirmed. Please see also the response to part (a), above, and to question 1(d) of this ChIR.
- c. Confirmed. Please see also the response to part (a), above, and to question 1(d) of this ChIR.

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3. This question refers to the supporting data on the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tab "Tables 1-2":
- a. What percentage of total FY 2020 unpiggybacked First-Class Mail Presorted Letters costs (including mixed mail and not-handling tally costs) in "Unrelated to Presort" cost pools do the "Total Matched" costs in the "Unrelated to Presort" row in Table 1 represent? Please provide all calculations and explain fully all reasons why unpiggybacked First-Class Mail Presorted Letters costs in "Unrelated to Presort" cost pools are excluded from this table.
 - b. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to support the Postal Service's belief that the rate category proportions in the "Unrelated to Presort" row in Table 2 are representative of the rate category proportions of total unpiggybacked First-Class Mail Presorted Letters costs in "Unrelated to Presort" cost pools.
 - c. Please provide 95 percent confidence intervals for the rate category proportions of total unpiggybacked First-Class Mail Presorted Letters costs by Cost Pool Group and all data sets, programs, and associated documentation necessary to replicate the analysis. If this information cannot be provided, please explain fully.

RESPONSE:

- a. Please see the response to question 1(c) of this ChIR. As noted in the responses to questions 1(a)-(b), the tables show the proportions of direct tallies rather than (unpiggybacked) volume-variable costs. The volume-variable costs include costs associated with mixed-mail and not-handling tallies. Mixed-mail and not-handling-mail costs are excluded as those tallies cannot currently be associated with specific presorted First-Class Mail rate categories.

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- b. The Postal Service has not computed mail processing volume-variable costs by rate category (i.e., including mixed-mail and not-handling mail distribution steps), and thus has not studied the question. Generally, the Postal Service would expect volume-variable costs for products or product categories within a cost pool to be roughly proportional to direct tallies in the same cost pool. However, mixed-mail distributions may be affected by the composition of mixed-mail observations (e.g., First-Class letter products would not tend to cause costs associated with handling mixed flat- or parcel-shape mail). Please see also the response to question 10(c) of this ChIR.
- c. The 95 percent confidence intervals for the proportions are shown in the table below. Associated documentation is provided in ChIR1.Q3c.xlsx, included as part of the zip file attached to these responses.

95% Confidence Interval for Proportion by Rate Category									
Cost Pool Group	5-Digit BC			AADC BC			MAADC BC		
	Proportion	Lo	Hi	Proportion	Lo	Hi	Proportion	Lo	Hi
Modeled/Proportional	59.3%	58.3%	60.4%	31.7%	29.9%	33.4%	9.0%	8.2%	9.7%
Corr. w/ Presort	65.0%	62.3%	67.7%	28.5%	25.0%	32.1%	6.5%	5.3%	7.7%
Unrelated to Presort	68.2%	63.8%	72.5%	26.2%	20.4%	31.9%	5.7%	3.9%	7.5%
Total Plant Mail Proc.	60.7%	59.8%	61.7%	30.9%	29.4%	32.4%	8.4%	7.8%	9.0%

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4. This question refers to the Excel Workbook - POBoxCost.xlsx,¹ which shows CRA PO Box unit cost trends (including costs in both the MODS LDC 44 and the NONMODS D.PO BOX pool) for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters and the FY 2020 weighted average First-Class Mail Presorted Letters PO Box cost calculated from Docket No. ACR2020 USPS-FY20-10.
- a. Please confirm that the figures in Excel file "POBoxCost.xlsx" are correct. If not confirmed, please provide the correct figures and explain fully.
 - b. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain the substantial increases in the CRA PO Box unit costs for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters from FY 2018 to FY 2020.
 - c. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain why the CRA PO Box unit costs for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters more than doubled from FY 2017 to FY 2020.
 - d. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain why the FY 2020 CRA unit cost in the PO Box cost pool for First-Class Mail Presorted Letters is 162 percent higher than the FY 2020 weighted average modeled PO Box cost (calculated in cell N21 of Excel file "POBoxCost.xlsx" from Docket No. ACR2020 USPS-FY20-10) for First-Class Mail Presorted Letters.
 - e. Page 11 of the Petition states, "Discontinuing the P.O. box component of the First-Class letter models also improves data quality by eliminating reliance on assumed productivity figures for sorting pieces to P.O. boxes. Those assumed productivity figures date back to Docket No. MC95-1, and significantly understate actual costs for P.O. box distribution."

¹ See Motion, Excel file "POBoxCost.xlsx."

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Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to assess P.O. box distribution productivity.

RESPONSE:

- a. Confirmed.
- b. The primary cause of the increase in measured PO Box unit costs from FY2018 to FY2020 is an increase in piggyback costs associated with the implementation of the new facility space study approved in Docket No. RM2020-1, Order No. 5637 (August 17, 2020). The new facility study increased measured workroom space associated with the D.PO BOX cost pool, and hence space-related costs. Overall labor costs in the D.PO Box cost pool were little changed from FY2018-FY2020.
- c. In addition to the space-related cost change noted in the response to part b, above, the change in measured PO Box costs from FY2017-FY2020 is due in part to cost pool methodology changes implemented in FY2018. Those changes consolidated costs for MODS Function 4 and non-MODS cost pools, using the non-MODS cost pool definitions. See Docket No. RM2018-10, Order No. 4855 (October 12, 2018). Additionally, in FY2018, IOCS question Q18D1b (characterizing types of manual distribution activities at post offices, stations, and branches) was modified to identify PO Box distribution activities separately from other shape-related distribution activities. These methodological changes shifted

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some costs recorded in non-PO Box related cost pools in FY2017 to the non-MODS D.PO BOX cost pool in FY2018.

- d. The modeled PO Box cost is highly dependent on the assumed PO Box distribution productivity of 1,951 pieces per hour for the 'Box Section Sort, DPS' activity in the USPS-FY20-10 model. As noted in the Petition, the productivity was an assumed productivity from Docket No. MC95-1, determined before the widespread implementation of DPS. While the Postal Service has not formally studied PO Box distribution productivity, it believes that the assumed 1,951 pieces per hour figure in the currently approved model—allowing 1.84 seconds per piece—is implausibly high for a manual distribution activity.
- e. See the response to part d.

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5. Please refer to page 8 of the Petition which states, "Single-piece mail can be handled in delivery units both at origin, as the mail is collected from customers by carriers, and then again at destination, as it exits the mailstream in DPS trays. Presort mail is not inducted into the system at delivery units and is handled in delivery units only at destination. Single-piece mail is prepared for the cancellation operations on the dock in MODS 1PLATFRM operations, while presorted mail can be inducted directly into tray sorting operations."
- a. What percentage of Single-Piece Letter costs in each "Unrelated to Presort" Non-MODS cost pool is incurred at origin delivery units? Please provide all supporting calculations.
 - b. What percentage of Single-Piece Letter costs in the MODS 1PLATFRM operation is incurred preparing mail for cancellation operations on the dock? Please provide all supporting calculations.

RESPONSE:

- a. The percentage of Single-Piece Letter costs in non-MODS cost pools representing work at origin delivery units or other originating facilities will be non-zero as carriers collect mail on routes and bring it back to the delivery units to be transported to the plant for outgoing processing. The Postal Service's costing systems, however, do not specifically distinguish activities at origin delivery units from other outgoing activities that may be incurred at facilities other than the originating office (e.g., due to handling of pieces as UAA or redirecting pieces that may have been missent or missorted).
- b. Neither IOCS nor MODS specifically identifies costs in 1PLATFRM operations associated with preparing mail for cancellation operations. The 1PLATFRM cost pool may include some costs associated with unloading First-Class Single Piece

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collection mail arriving at plants (in addition to costs for unloading presorted First-Class Mail). The Postal Service believes the bulk of costs for preparing mail for cancellation operations at plants are likely to be recorded under MODS operations 017 and 018 ("Cancelling Operations Misc" and "Collection Mail Separation"), which are part of the 1CANCEL cost pool, in addition to costs incurred in the 1PLATFRM cost pool as cited in the petition.

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6. In Order No. 1320, the Commission stated “that the established method of allocating allied/support costs to presort categories in the letter cost model is a better approximation of how those costs vary with presort level than the Postal Service’s assumption that they are entirely fixed. The Commission finds that the Postal Service’s descriptions of allied/support operations are incomplete and inaccurate, and that the more thorough analysis of those operations by Pitney Bowes confirms that they vary substantially with presort level. Until the Postal Service explicitly models allied/support costs, the Commission will adhere to the established piggyback method of distributing those costs.”²

Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explicitly model allied/support costs in support of Proposal Two.

RESPONSE:

Proposal Two relies on FY2020 IOCS data by rate category to analyze the behavior of cost pools as proportional, piggy-backed or fixed. When Order No. 1320 was issued on April 20, 2012, the infrastructure to tie IOCS tallies back to rate categories from manifest information had not been developed. Thus, compilation of data on costs by rate category such as the tally analysis was not an option for the Commission to request at the time. The IOCS analysis is an alternative approach to the Commission’s request to explicitly model allied activities.

² Docket No. RM2010-13, Order Resolving Technical Issues Concerning the Calculation of Workshare Discounts, April 20, 2012, at 40 (Order No. 1320).

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7. Please provide the percentage of First-Class Mail Presorted Letters by rate category that bear a Full-Service IMb.

RESPONSE:

The proportion of First-Class Mail Presorted Letters receiving the Full-Service IMb discount by presort tier is show below:

**First-Class Mail Presort Letters
IMb Discount by Presort Tier**

Presort	0.0%
5-Digit	94.8%
AADC	94.6%
MAADC	89.4%

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8. Please indicate whether the Postal Service plans to propose changes to the USPS Marketing Mail Letters mail processing cost avoidance model to conform to this requested change in methods.

RESPONSE:

The Postal Service continuously monitors the Commission's methodologies for measuring avoided costs for appropriateness and accuracy in measuring avoided costs. When the established methodology appears to push in the direction of prices that, in the opinion of the Postal Service, give inefficient pricing signals to customers, the Postal Service prefers to petition the Commission to consider methodologies that more accurately measure the cost characteristics of workshare mail. The Postal Service is currently assessing the cost avoidance estimation methodology for USPS Marketing Mail Letters and has not yet determined the scope of potential model modifications or the applicability of changes conforming to the current proposal.

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9. Please indicate whether the Postal Service plans to propose changes to any other mail processing cost avoidance model to conform to this requested change in methods.

RESPONSE:

The Postal Service continuously monitors the Commission's methodologies for measuring avoided costs for appropriateness and accuracy in measuring avoided costs. When the established methodology appears to push in the direction of prices that, in the opinion of the Postal Service, give inefficient pricing signals to customers the Postal Service prefers to petition the Commission to consider methodologies that more accurately measure the cost characteristics of workshare mail. The Postal Service is currently assessing all the Commission's cost avoidance measurement methodologies and has not yet determined the scope of potential model modifications or the applicability of changes conforming to the current proposal.

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- 10.** Please refer to page 3 of the Petition where it states: "Linking Full-Service Intelligent Mail Barcode (FSIMb) scans to mailing documentation enables a significant portion of mail processing costs for presorted First-Class Mail measured in IOCS to be identified by presort level." Please also refer to Table 1 on page 12 of the Petition and Table 2 on page 13 of the Petition.
- a. Please confirm that the IOCS was not designed to estimate mail processing costs by rate category. If not confirmed, please explain fully.
 - b. Please confirm that the analysis presented in Tables 1 and 2 is the first analysis that the Postal Service has filed with the Commission in support of a costing method proposal in which the Postal Service has used the methodology of using FSIMb scans to link IOCS tallies to mailing documentation in an attempt to identify costs by presort level. If not confirmed, please explain fully and provide all such previous analyses and corresponding Commission filings.
 - c. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to assess whether the rate category distribution of mail processing costs for which the Postal Service was able to use FSIMb scans to link IOCS tallies to mailing documentation are representative of mail processing costs for which the Postal Service was not able to do so.
 - d. Please define "significant portion" as used in the cited sentence and indicate the percentage of mail processing costs that comprises a "significant portion."
 - e. What percentage of First-Class Mail Presorted Letters mail processing costs (including mixed-mail and not-handling tally costs and both MODS and non-MODS facilities) in "Unrelated to Presort" cost pools do the "Total Matched" tally dollar weights (\$12.161 million) in the "Unrelated to Presort" Cost Pool Group (as shown in Table 1) represent? Please provide all calculations.

RESPONSE:

- a. Not confirmed. While the primary objective of IOCS is to estimate costs for product categories in the Cost and Revenue Analysis for IOCS-based cost

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components (including mail processing), IOCS is not limited by design to product-level costing. At a fundamental level, IOCS assigns tallies to products by identifying class and rate markings on sampled mailpieces. See Docket No. R2006-1, USPS-T-46 at 13-15. The fundamental limit on generating cost data by rate category within products has been the observability (or lack thereof) of rate markings on mailpieces. While markings identifying specific rates paid are not generally required on presorted First-Class Mail letters, documentation of full-service IMb mailings allows rate information to be linked via the barcode where scans are available.

- b. The analysis presented in Tables 1 and 2 is the first such analysis using matched full-service IMb scans in support of a costing proposal. However, the Postal Service previously presented an analysis of matched full-service IMb scan data to develop a cost adjustment to flat-shape Standard Mail (now USPS Marketing Mail) products to account for changes in the treatment of FSS flats in FY 2014. See the Preface to USPS-FY14-45 (February 3, 2015).
- c. The Postal Service has not conducted any formal analysis. The Postal Service considered several factors informally. First, full-service IMb uptake rates are very high for automation-rate presorted First-Class Mail letters, as shown in the response to question 7 of this ChIR. In particular, the likelihood of obtaining a matchable full-service IMb is highly similar for 5-digit and AADC letters, which

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comprise the vast majority of the applicable volumes and costs. Further, the actual rate category is normally unobservable to IOCS data collectors, reducing the risk of selection bias within scanned presorted First-Class Mail letters.

- d. As shown in Table 1 of the Petition, 55 percent of the mail processing direct tallies for presorted First-Class Mail in the MODS and NDC groups were matched to the rate paid. The match rates range from 54 to 57 percent by cost pool group. These majorities of tallies for the MODS and NDC office groups are what the Petition characterizes as a "significant portion."
- e. Please see the response to question 1(c) of this ChIR.

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- 11.** This question refers to the supporting data presented in Excel Workbook – “Proposal Two FCM Letters Cost Model.xlsx.” Please refer to tab “CRA-PRESORT LETTERS.” Please confirm that the CRA costs in the MODS Subtotal, NDC Subtotal, and Non MODS Subtotal rows in the Modeled/Proportional and Unrelated columns are incorrect and provide a corrected version of Excel file “Proposal Two FCM Letters Cost Model.xlsx.” If not confirmed, please explain fully.

RESPONSE:

Confirmed. The MODS Subtotals, NDC Subtotals, and Non MODS subtotals in cells E51, G51, E61, G61, E75, and G75 in tabs ‘CRA - PRESORT LETTERS’, ‘CRA - PRESORT CARDS’, and ‘CRA-METERED LETTERS’ were incorrect. The corrected version of the cost model is included in the zip file attached to these responses, with updated tabs and cell highlighted in red. Updating these subtotals does not affect the calculation of the total worksharing related cost avoidance or the total mail processing cost avoidances. Therefore, there is no change to the cost avoidance impact table.